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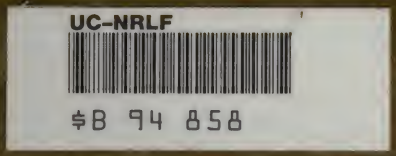

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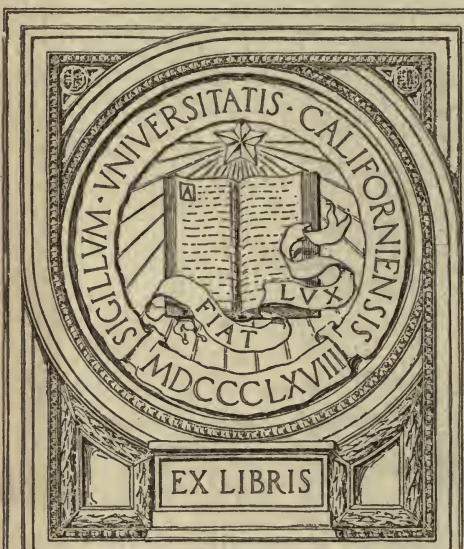

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Why State Insurance ?

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CRITICISM BY

surance and Investment News

REPLY BY

HARRIS WEINSTOCK

Member Industrial Accident Commission of the State of California

14—40M

Extracts from Insurance and Investment News Article Published Under Date November 12, 1914

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"Insurance managers and general agents, not to mention the local agents and brokers, have been much perturbed of late by the appearance of a circular from the California State Compensation Fund, signed by its manager, Mr. Claude Fellows, setting forth the fact that all holders of the Fund's compensation policies would receive a refund of 15 per cent of their premiums."

"It is indeed a surprising thing to men in the big liability and compensation game that the Fund, which is no more nor less than an insurance company, in the first making, not out of the cradle, so to speak, should dare do so hazardous a thing, without rhyme or reason, or any basis in business and surely none in insurance ethics."

"Why the State Fund at all? What the necessity of such a financial scheme and the organization? Could not the large insurance companies, with their great assets and lawful reserve, take care of the situation in a far more efficient manner at a less percentage of expense?"

"The barefaced circular of the State Fund, as of October 19th, eradicates it from the list of conservative and properly managed insurance carriers. The letter smacks of the 'get-rich-quick' type, and a careful perusal of the figures stamps it so."

"Use their own figures, apply the statutory requirements of reserve, from which they are exempt (and just why, heaven knows, as if it is proper for one it is proper for both), and after applying this proper reserve deduction note the result. We have a true surplus of some $67,020.40, as against their false figures of $124,020.40. Follow this by taking 15 per cent (as promised the policyholders) of the premiums written, and you might be surprised to find an actual deficit of $2,300 to pay the rebate."

"If it did not mean the actual pilfering of a fund set aside to protect industrial cripples, it would be indeed a joke."

Why The State Fund?

BY

HARRIS WEINSTOCK

Presumably, the writer of the article published in the Los Angeles "Insurance and Investment News" is an alleged insurance expert, but as a matter of fact he is speaking out of the fullness of his ignorance of the situation rather than from his knowledge of it. He pertinently asks "Why the State Fund at all?"

The State Compensation Insurance Fund was created by the Legislature to protect employers against excessive insurance rates, and to insure the injured workers prompt and equitable settlements. When the measure was before the Legislature stock company representatives contended that its passage would result in an increase in the compensation rates quoted under the Roseberry Act. When the State "Fund" entered the field, however, these rates were reduced 25 per cent on the average. This was the first advantage employers derived from the intervention of State insurance.

Next comes the announcement that the State purposes returning *15 per cent of all premiums earned* on January 1st, making in all a difference in favor of policyholders of about 40 per cent. And 15 per cent is only the first return. There is likely to be a substantial further refund to 1914 policyholders after the reserves are applied against the actual losses as provided by law. This seems to me to answer the question, "Why the State Fund at all?"

The critic evidently is not aware of the fact that the 15 per cent refund simply represents a saving through the State's lower expense cost; that the return is to be made only on premiums *earned* and not on the unearned portion; and that the refund can and will be made without affecting the appropriation of the Legislature. Instead, reserves will be maintained *on the same basis as required of corporate insurance carriers* and a considerable additional catastrophe fund set aside. In other words, the State has conducted its business at an expense of about one fourth that of the stock companies and the saving rightfully belongs to the policyholders. It appears, therefore, that our critic is wasting his sympathies upon the industrial cripples whose funds the Commission is charged with "pilfering" and who are being thoroughly protected by the State Compensation Insurance Fund.

If, as the writer of the article referred to states, the large insurance companies can take care of the situation in a far more efficient manner and at less percentage of expense they have not thus far been able to demonstrate it.

In addition to low operating cost, during the first nine months, the State "Fund" handled about 3,000 accident cases, only eleven of which cases were referred to the Industrial Commission for hearing—a record of very nearly 100 per cent satisfaction to employers and workers.

"Figures" (properly handled) "do not lie," but as manipulated by our critic they may be badly abused. He refers to a deficit to pay the return promised. We recently invited corporate company representatives to make a minute inspection of the records of the "Fund" to prove that the return can be made without disturbing appropriation or reserves, but on the contrary leaving a substantial addition to the catastrophe surplus. To date the invitation has not been accepted and we further challenge any of our corporate competitors to show a better record of low operating cost and efficient service than made by the State Compensation Insurance Fund.

HARRIS WEINSTOCK,
Member Industrial Accident Commission

State Compensation Insurance Fund

OF THE

STATE OF CALIFORNIA

Executive Offices

525 Market Street, San Francisco

C. W. FELLOWS, Manager

Branch Offices

415 Syndicate Building, 1440 Broadway, Oakland

C. I. BLOTCKY, Resident Special Agent

W. I. Hollingsworth Building, Los Angeles

W. L. McCONNELL, District Manager

542 Spreckels Building, San Diego

G. E. HOME, Resident Special Agent

The State Fund invests only in California Securities approved by the Attorney General.

It does not require employers to refer injured employees to certain specified physicians.

It selects its risks carefully and does not assume hazards beyond its safe carrying.

Its inspection and merit rating service is unexcelled.

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